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INTELLIGENCE MEMORANDUM

WEEKLY REPORT

PREPARED EXCLUSIVELY

FOR THE

SENIOR INTERDEPARTMENTAL GROUP

DIRECTORATE OF INTELLIGENCE

Office of Current Intelligence

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GROUP 1
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TO: Recipients of Weekly Report Prepared
Exclusively for the Senior Interdepart-
mental Group

On page 10, the second sentence should
read, "Until recently such nationalism has been
muted under Castello Branco."

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1. LAOS

The Communists have recently expanded their military control in several key areas and are pressing Premier Souvanna Phouma to back away from his increasingly pro-Western political stance.

Over the past three months, Pathet Lao and North Vietnamese troops have driven government forces from several important positions in the region north and northeast of the Plaine des Jarres. They apparently hope to consolidate their control over key river and road transportation routes which have been effectively blocked by government units.

Despite these recent Communist successes, Souvanna still firmly supports the large-scale US aerial interdiction operations being mounted throughout Laos.

The Communists now appear to be initiating additional political pressures. Early this month Kosygin sent Souvanna a letter strongly protesting the US air operations. He warned that the introduction of US troops would "transform your country into a theater for devastating military operations." Kosygin urged the "re-establishment" of the coalition government. The Soviet premier may put the case more strongly during Souvanna's scheduled mid-May visit to Moscow. He may attempt to arrange reconciliation talks between Souvanna and Pathet Lao leader Prince Souphanouvong.

Meanwhile, the Communists remain intent on preserving and expanding their key supply lines through eastern Laos. They are likely to mount limited attacks in various areas of the panhandle, in order to keep government forces off balance and forestall any threat to those arteries. At the present time, however, a large-scale Communist offensive appears unlikely.

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SECRET**2. INDONESIA**

The interim government is sounding out the possibilities of receiving indirect Western aid, but apparently remains fearful of being labeled subservient to the West.

During the past week, unofficial emissaries approached the US Embassy in Djakarta--almost certainly with the approval of the Indonesian Foreign Affairs Department--and requested a three-to-six-month credit guarantee for rice purchases in Thailand. A similar approach was made to the Australians.

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3. INDIA

The Indian food picture remains bleak. There now are serious shortages in several areas, and the situation will worsen in coming weeks as grain from the fall harvest begins to run out. The government will have difficulty administering and distributing Western aid, and some influential elements in both the Congress Party and the opposition are likely to oppose US advice on how it should be done.

Serious political trouble is probable if the government is unable to supply deficit areas with enough food. Leftist agitators have already sparked violence in Kerala and West Bengal, and further efforts to discredit the government are likely as the food crisis deepens and as more eyes turn toward the national elections next February.

The US Department of Agriculture estimates that India's minimum import requirement for calendar 1966 is 11 million tons of grain. It is possible that Indian ports, by adopting a number of priority measures, can handle this quantity of grain without having to divert important general cargo shipments. If there is a good harvest next fall, such food imports would enable the government to avert widespread famine by careful rationing and distribution, plus the drawdown of available stocks. India's meager administrative resources will be overburdened by the crisis, however, and some acute local shortages seem inevitable.

The US and some 20 other governments and a number of private organizations have offered aid or are considering offers. PL-480 commitments for shipment during calendar 1966 so far amount to 4.5 million tons of wheat and grain sorghum worth \$254.5 million. Nearly a million additional tons will probably be obtained by commercial purchases and from other aid donors such as Canada, Australia, and Greece.

New Delhi has responded to the obvious failure of past agricultural policies by announcing a vigorous new program. It involves intensive cultivation of 32 to 34 million acres of India's best land, increasing the use of fertilizers, developing additional

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seed farms, and attracting foreign investment in Indian fertilizer production. Implementation of the program will be hampered by a sharp clash of regional, economic, and caste interests, however, and it may well fall short of its objectives. The US has extended a 50-million loan for fertilizer purchases to bolster the plan.

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4. YEMEN

The danger of an Egyptian-Saudi confrontation is increasing, despite evident reluctance on both sides to open another round of warfare.

The Nasir-Faysal politico-military agreement of last August has clearly broken down. Efforts to keep a dialogue going are directed increasingly toward making what would be in effect a new arrangement, even if the terms more or less repeat those of the earlier one. Neither Nasir nor Faysal is at present disposed, however, to make the concessions that would make such an arrangement possible.

Nasir's present position is essentially defensive. He appears to be determined to hold a block of central Yemen for the republicans, abandoning the northern portion of the country to the royalists and reducing his troop commitment by perhaps 20 percent.

Despite such bombast as "we will stay in Yemen for 20 years," however, it is questionable how long Nasir would in fact tolerate a static strategy of this kind. Pressure to strike at bases of "aggression" in Saudi Arabia would increase if major new fighting broke out. In addition, the temptation to try to mount a major subversive campaign against Faysal would be likely to grow.

On the Saudi side, Faysal appears to believe that he has Nasir on the defensive, and he sees no good reason to let Nasir withdraw on softer terms than those agreed to last fall. Moreover, the Saudis now are depicting Nasir as a promoter of Communist influence in and around the Arabian Peninsula, which suggests that genuine concern over a Communist presence is playing a part in Saudi calculations.

A special danger in the situation is that a renewal of fighting in Yemen does not depend exclusively upon decisions by Nasir or Faysal. The Yemeni tribesmen's insatiable hankering for gold and guns could produce new incidents, and such incidents could easily escalate. If this should occur, US commitments to Saudi Arabia, and ultimately US oil interests, might well come into play.

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5. GUINEA

Touré's already exaggerated suspicions that the US is prominently involved in efforts to check the "African revolution" were heightened by last month's coup in Ghana, and he could easily be persuaded to assume an even more extreme anti-Western posture.

Quick to accuse "the imperialists" of new interference with African independence, he has provided asylum and support for Nkrumah and mounted a campaign against "foreign enemies," partly in the hope of rallying his own restless population. Depressed economic conditions, which have grown progressively worse in the seven years since independence, are the main cause of local dissatisfaction with the regime, although tribal and political factors also play a role. For more than a year Guinea has been in a state of agitation, which reached a peak last November with the exposure of a plot allegedly backed by France and Ivory Coast to topple Touré.

Guinea has a one-party system, but its leaders are divided among factions favoring various foreign alignments. The Ghana coup has apparently intensified pressures from those who would like to see the USSR or France replace the US as the leading partner in Guinea's plans for economic development.

A Guinean rapprochement with Moscow has been under way since last summer, and there are indications of possible Soviet intrusion in the key fields of civil aviation and bauxite development, both of which now are dominated by US interests. The pro-French elements in Guinea, which went into eclipse after November, seem to be emerging again with the excitement over Ghana.

Touré's melodramatic pronouncements about restoring Nkrumah and fighting imperialists were probably intended mainly for their psychological effects. Guinea has no capacity for a serious military undertaking, but it might serve as a base for Communist-bloc subversion against neighboring moderate states.

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6. UK-RHODESIA

Economic sanctions seem unlikely to bring down the Rhodesian regime, and London may have to rethink its strategy soon after the election on 31 March.

The sanctions have in fact helped to solidify white support for Smith, without stopping the flow of essential supplies--particularly oil through South Africa and Mozambique. Arrival of the long-rumored tanker via Mozambique, or success in selling the current tobacco crop, would give Smith a further economic and psychological boost. If he continues to look like a winner, international support for continuing the sanctions may dissipate.

London's concern over this trend is evident in its increasingly anxious efforts to hold the sanctions line. If these efforts fail, the government elected on 31 March would seem to have four unpleasant options:

(1) Let the situation drift, with sanctions at their present level. This course would assume that the Africans would not be willing to undertake military action on their own. It would imply British willingness to veto a UN call for mandatory sanctions. In time, many states would probably establish normal relations with the Smith government.

(2) Negotiate with Smith. Under present circumstances, Britain would probably have to recognize Smith as governor of an independent Rhodesia, possibly in exchange for some weak guarantee of rights for Africans. Such an exchange would involve substantial loss of face for Wilson, and a blow to British and Western prestige in Africa.

(3) Military action. British studies hold that two divisions will be needed to overthrow Smith, but that Zambia--the most logical locale for stationing troops--could support only one battalion. As Smith's strength grows, it becomes more likely that white Rhodesians would put up a last-ditch battle which could cripple both Rhodesia and Zambia. A British military move almost certainly would need

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US support.

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(4) Turn to the UN. South Africa at least, and probably Portugal as well, would refuse to participate in mandatory economic sanctions. It would then be necessary for the UK and US to decide on extending sanctions to those states. If the sanctions failed to work, it might be difficult to prevent a call for military force. A UN military move would be resisted by Rhodesians with even more bitterness than a purely British effort.

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7. BRAZIL

Nationalist sentiment is rising in Brazil, and much of it is directed against the US.

An intense campaign against alleged attempts by US interests to dominate Brazil's press and other information media is in its third month and still growing. Mainly the work of Joao Calmon, director of the influential Diarios Associados press chain, it seems to be, at least in part, an effort to overcome the chain's serious financial difficulties.

Another indication of growing anti-US feeling is the sensationalist press exploitation of the detention since February of several Americans charged with large-scale smuggling. In addition, the Brazilian Democratic Movement, the major opposition party, has issued a "communiqué to the people" attacking the US-Brazilian Atomic Energy Agreement as subordinating Brazil's interests to those of the US.

Frustrated rightist elements are mainly responsible for the ultranationalist trend, but the far left, potentially the most powerful anti-US force, will encourage it. The opposition front being organized by Miguel Arraes, a pro-Communist former governor of Pernambuco now in exile in Algeria, could well become an effective anti-American propaganda instrument for the left. Many intensely nationalist military officers, particularly in the middle grades, probably find comfort in the criticism being generated against the US.

There is real danger that a strong tide of emotionalism directed at "excessive" US involvement in Brazil's affairs may develop during national and local election campaigns later this year. The close ties between the Castello Branco government and the US provide a natural target for those seeking to exploit discontent with the regime's economic policies and the persistent inflation.

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Nationalistic sentiment with anti-US overtones has not been uncommon in recent years, but, except during the Quadros-Goulart period, it has been viewed as a normal outgrowth of the Brazilian's increasing "great power" aspirations. Until recently such nationalism has been mixed under Castello Branco. Should the present trend continue, it could encourage the government to relax its financial stabilization program in the interests of short-term stability or to take hard measures to control the spread of nationalist sentiment.

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